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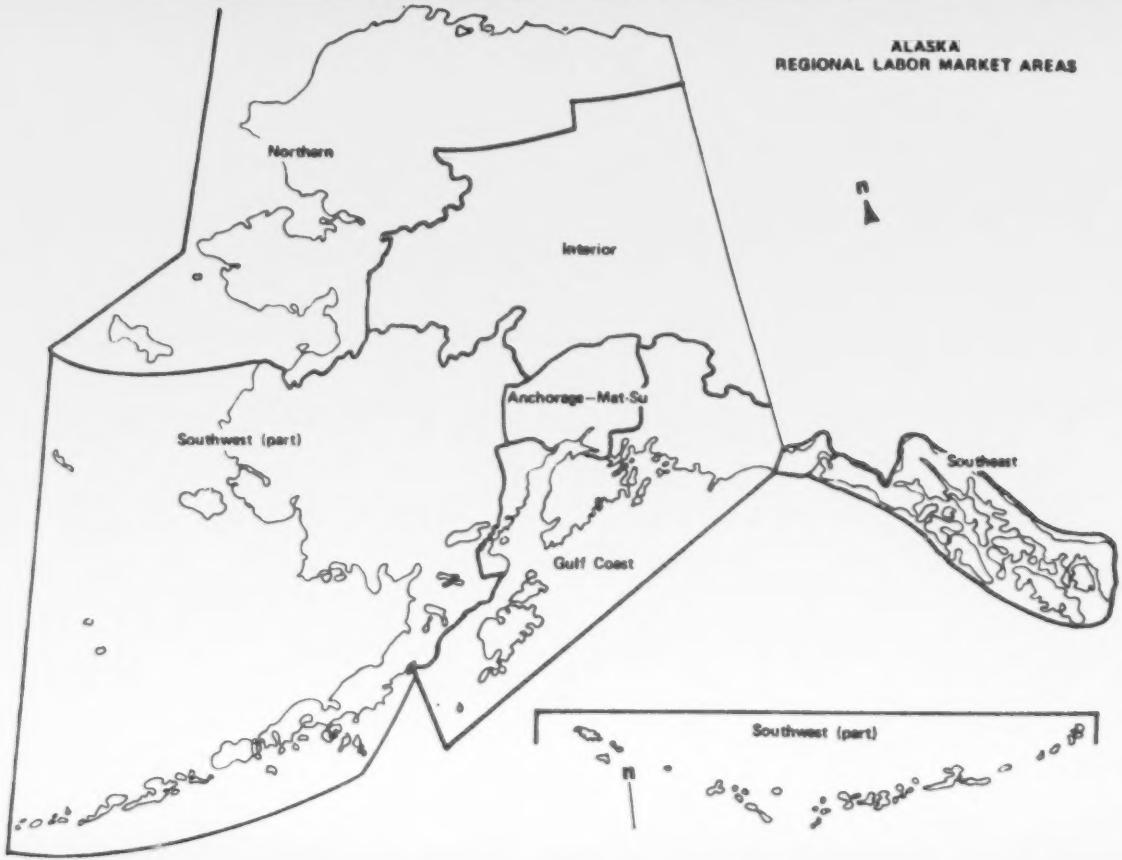
ALASKA DEPARTMENT OF LABOR
JAY S. HAMMOND, GOVERNOR

# ALASKA ECONOMIC TRENDS


ALASKA
REGIONAL LABOR MARKET AREAS
Northern
Interior
Anchorage–Mat-Su
Southwest (part)
Southeast
Gulf Coast
Southwest (part)

# ALASKA ECONOMIC TRENDS

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# CONSUMER PRICE INDEX REVISIONS

**By Brit Harvey**

The Consumer Price Index (CPI) is the most frequently used statistic among the thousands generated by the federal government. It is the most common indicator of change in the "cost of living", and is used as an escalator in numerous contracts leases and government entitlement programs. Currently, a 1% increase in the CPI triggers $2.5 billion in government expenditures alone.1/ In the distinctly glamourless world of economic statistics, the CPI is a media darling, regularly garnering front page headlines. As with any celebrity, the CPI's very popularity has rendered it fair game for critics. This article briefly describes the CPI, it's problems, changes planned for 1983, and the likely future impacts of these changes.

The Anchorage urban area is the only locale in Alaska for which a CPI is calculated. CPI figures are released every other month. There are two types of CPI's. The CPI-U is for the urban consumers, and approximates the buying habits of 80% of the population. The CPI-W is for wage and clerical workers and approximates the buying habits of 40% of the population. These CPI's are based on different "market baskets" of goods and services which were arrived at by a survey last conducted in 1972.

Over the years the CPI has become an increasingly important economic factor, as contracts, leases and government entitlement programs such as social security and food stamps have been indexed to the CPI. The CPI is no longer simply a statistical estimate of the inflation rate, but is also a generator of inflation. Under these conditions, the quality of the CPI methodolgy is an important substantive issue, not simply a subject for arcane debate among statisticians.

The primary criticism of the CPI in recent years has focused on housing costs, and particularly on the homeownership com-

1/ Bruce Hanchett, Bureau of Labor Statistics Regional Commissioner: conversation; July 29, 1982.

ponent. In Anchorage, approximately 50% of the CPI market basket consists of housing. Nationally, housing is a smaller percentage, but still greatly exceeds any other component. The large housing component renders the overall CPI highly sensitive to changes in housing costs. During the late 1970's, the surge in the homeownership component, both the house price itself and the cost of the mortgage, was a major factor in pushing the national CPI well into double-digits.

Critics point out only 6% of the population buys a house in any single year, that buying housing is partially an investment rather than a purely consumptive activity, and that the CPI methodology for surveying house and mortgage prices has severe flaws.

In response to this criticism, much of which came from Bureau of Labor Statistics staff responsible for producing the CPI, the CPI methodolgy will change in January 1983 to a "rental equivalency" method for calculating homeownership costs. An attempt will be made to estimate what it would cost homeowners to rent their homes, and this consumptive portion of their involvement with their real estate will be included in the CPI. Had this method been used in the past, the CPI would have been substantially depressed during the 1979-1980 period when the CPI nearly hit 15% on an annualized basis. This change will be made in January 1983 for the CPI-U, and January 1985 for the CPI-W. The CPI-W is delayed to accommodate existing labor contracts which use it as an escalator. The CPI-U will also be published concurrently for the first six months of 1983 using the current methodology. The CPI-U and CPI-W, which are now very similar, may diverge when different calculation methods are used in the 1983-1985 period. Some confusion is likely. Anyone using the CPI as an escalator in any contract or lease should specifically state which CPI is involved.

What is the likely influence on the CPI of the new method for calculating homeownership costs? There is no consensus on this point. While the rental equivalence method would have slowed the CPI increase during the past several years, there is no reason to assume this will occur in the future. Should rental costs increase more rapidly than homeowner costs in 1983 and beyond, the change in methods could actually result in an acceleration in inflation as approximated by the CPI-U. In view of the fact that rental prices tend to lag behind changes in homeownership costs, and that homeownership costs recently peaked, the odds of the CPI methodology change increasing the rate of CPI increase must be considered at least 50%.

# ALASKA

**By Brit Harvey**

## SEASONAL ADJUSTMENT

In a highly seasonal economy such as Alaska's, seasonal adjustment is a crucial tool for revealing underlying trends in employment data. Seasonal employment variation in Alaska is typically close to 20%. This large variation masks much smaller growth trends of 1-5% annually.

Seasonal adjustment is a complex statistical procedure. Essentially, a "normal" seasonal pattern is determined based on data for past years. Seasonal factors which reflect this normal pattern are calculated for each month. These seasonal factors are used to adjust new data to remove the effect that seasonality would normally have.

Seasonal adjustment is highly reliable for adjusting series like school employment. The usual seasonal pattern of school closures and openings predictably influences employment. For other less predictable employment time series, such as seafood processing or logging, seasonal adjustment is less reliable. These sectors are influenced by climatic and biological events which are not as regular as the school year. While employment in any given year may vary from the normal seasonal pattern for these sectors, seasonal adjustment is necessary and valuable, although care must be taken in interpreting seasonally adjusted results.

ALASKA COMPOSITE NONAG EMPLOYMENT INDEX

Alaska's nonagricultural employment in the past year has displayed characteristics which render seasonal adjustment somewhat misleading. For several reasons, the economy exhibited less seasonal variation than normal. An extended construction season, particularly for Anchorage office buildings, and maturation of the secondary industries, which are less seasonal, were primary factors in diminishing seasonality. The result was very high seasonally adjusted employment expansion last fall, and correspondingly diminished seasonally adjusted employment during spring. While Alaska's rate of economic growth has slowed to some extent this year, the seasonal adjustment procedure overstated this slowing to such a degree that the Alaska Composite Nonagricultural Index (which is seasonally adjusted) showed a decline for several months.

At the end of 1982, data for 1981 and 1982 will be incorporated into the seasonal adjustment procedure. This will result in a "normal" seasonality which more closely resembles the seasonality exhibited in the two years. As Alaska's economy changes, the seasonal adjustment procedure results in changing seasonal factors. In any year where the seasonal pattern varies to a large degree from the pattern of previous years, seasonally adjusted figures require more care in interpretation.

## NONAGRICULTURAL EMPLOYMENT

Alaska nonagricultural wage and salary employment was 199,400 in July. This was a 2.7% increase for the month, or 1.5% seasonally adjusted. The year-to-year growth was 7,400 jobs, or 3.9%.

The data for recent months suggest that Alaska's economy has resumed its growth following a slower spring. The primary causes of the decline in the state's growth rate this spring were depressed fish processing employment and a late start to the tourist season. Tourism is apparently fully recovered, and large salmon runs in much of the state have boosted fish processing employment despite the industry's well-publicized difficulties. The rest of the summer should show continued strong growth, particularly as permanent fund dividend checks work their way into the economy.

Oil and gas employment was up in July by 3.1%, bucking the national trend. Apparently Alaska's inherent attractiveness to the industry (See *Trends,* May 1982) is insulating Alaska's oil and gas employment from the nationwide slump. The U.S. active rig count is down 41% during 1982, the sharpest decline ever. Oil prices, which stabilized for several months, are dropping again. The consensus of industry analysts is for no nationwide recovery until 1983 at the earliest.

Seafood processing was up 75% in July, but was still down 15% from last year. This sector, which accounted for 5.7% of all July employment, is highly volatile, and could show an equally rapid decline in coming months if processors balk at adding further to already bloated inventories.

Forest products employment continued to run about 20% below last year.

Construction employment continued to lead employment growth over the year at 18.2%. While failing to repeat the extreme 25 to 30% annual growth rates of last year, construction is still booming. Alaska economic growth continues to be oil-financed and construction-led.

## UNEMPLOYMENT

The July Alaska unemployment rate dropped sharply from 10.0% to 8.8%. While 8.8% is still above last year by about one half of a percentage point, it is a full percentage point below the not seasonally adjusted national July rate of 9.8%.

## NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
## BY PLACE OF WORK
## ALASKA

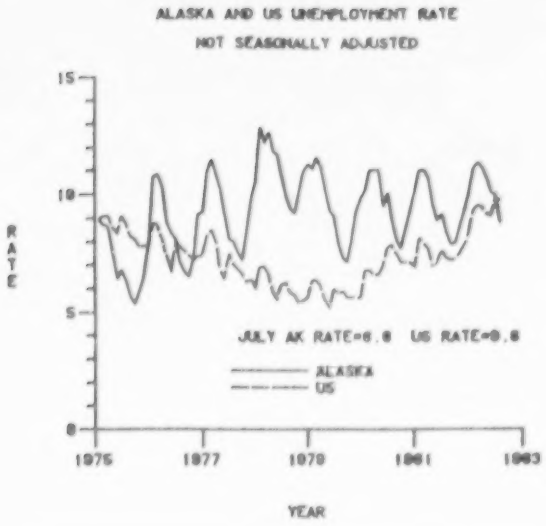
| | P/ | R/ | CHANGES FROM: | | |
|---|---|---|---|---|---|
| | **7/82** | **6/82** | **7/81** | **6/82** | **7/81** |
| Nonag. Wage & Salary..... | 199400 | 194200 | 192000 | 5200 | 7400 |
| Mining ..... | 9000 | 8600 | 7900 | 400 | 1100 |
| Construction ..... | 17500 | 16200 | 14800 | 1300 | 2700 |
| Manufacturing ..... | 17500 | 13100 | 19800 | 4400 | -2300 |
| Food & Kindred Prod..... | 11300 | 6600 | 13200 | 4700 | -1900 |
| Lumber & Paper Prod.... | 2700 | 3200 | 3400 | -500 | -700 |
| All Other Mfg. ..... | 3500 | 3300 | 3200 | 200 | 300 |
| Trans. Comm. & Util..... | 20300 | 19700 | 19500 | 600 | 800 |
| Trucking & Wheeling. .... | 2300 | 2400 | 2300 | -100 | 0 |
| Water Transportation .... | 1800 | 1500 | 1800 | 300 | 0 |
| Air Transportation ..... | 6400 | 5900 | 6300 | 500 | 100 |
| Other Transportation Comm. & Utilities ..... | 9800 | 9900 | 9100 | -100 | 700 |
| Trade ..... | 34700 | 33900 | 32200 | 800 | 2500 |
| Wholesale Trade ..... | 7000 | 6800 | 6300 | 200 | 700 |
| Retail Trade..... | 27700 | 27100 | 25900 | 600 | 1800 |
| Gen. Merchandise & Apparel ..... | 4600 | 4400 | 4400 | 200 | 200 |
| Food Stores..... | 4900 | 4700 | 4400 | 200 | 500 |
| Eating & Drinking Places ..... | 9800 | 9700 | 9100 | 100 | 700 |
| Other Retail Trade ..... | 8400 | 8300 | 8000 | 100 | 400 |
| Finance-Ins. & R. Estate .. | 9700 | 9500 | 8700 | 200 | 1000 |
| Services & Misc..... | 34500 | 34300 | 32600 | 200 | 1900 |
| Government ..... | 56200 | 58900 | 56500 | -2700 | -300 |
| Federal Government .... | 18200 | 17900 | 18300 | 300 | -100 |
| State Government ..... | 17500 | 17100 | 16900 | 400 | 600 |
| Local Government..... | 20500 | 23900 | 21300 | -3400 | -800 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

*P/* Denotes preliminary estimates.

*R/* Denotes revised estimates.




Up until July, Alaska's unemployment rate remained fairly high. Apparently the surge in employment which occurred in July was strong enough to drop the rate, despite the high in-migration of job seekers this year.

Regional rates strongly reflect July's 75% increase in fish processing employment. The Gulf Coast and Southwest regions both saw three percentage point drops in their unemployment rates.

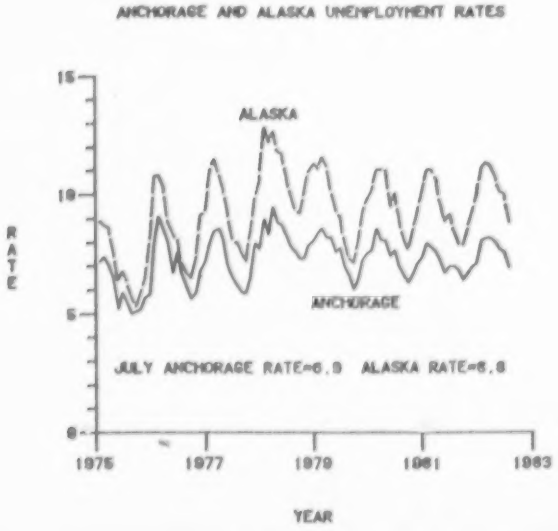
# ANCHORAGE/MATSU

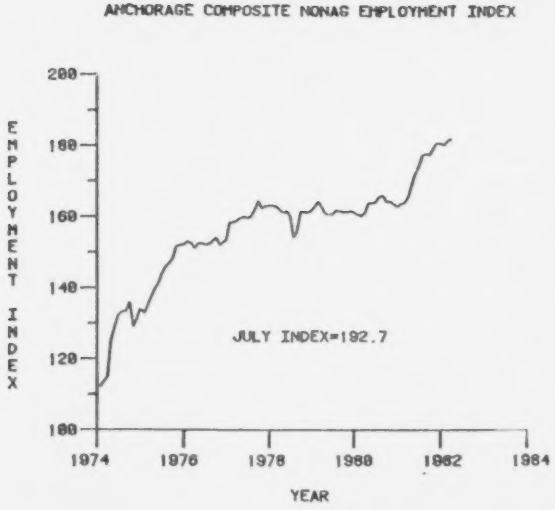
**By Greg Huff**

## LABOR FORCE

July's unemployment rate for the Anchorage-MatSu labor market region followed normal seasonal trends by taking the first major dip since the beginning of the year. The rate this July dropped six-tenths of a percentage point settling at 7.5%, which was equal to last July's rate. Since 1975 this rate has been surpassed twice, in 1978 and 1980. The lowest rate of 5.5% was registered in 1975.

Compared to the national or statewide rate the Anchorage-MatSu rate fared well in July. Nationally, the unemployment rate stood at 9.8% (not seasonally adjusted) and at 8.8% statewide. The region also had the lowest rate of any other labor market region statewide. Although the region fared well comparatively, 7.7% constitutes a "tight" job market for the job seeker (primarily in the construction related fields and for the unskilled). This was the peak of summer and the unemployment rate is unlikely to fall below 7.0%. The unemployment rate will climb in October or November.






## NONAGRICULTURAL EMPLOYMENT

Anchorage nonagricultural wage and salary employment in July rose by 2,950 (3.2%) over June's level (2.4% seasonally adjusted). This increase advanced Anchorage's share of total statewide employment to 48%, up two percentage points from last July. Construction employment played an important part in this shift. Construction employment in July was 2,100 above the year-ago level and the percentage share of statewide construction employment in Anchorage increased from 52% to 56%. Anchorage commercial construction represented nearly 90% of statewide construction. Anchorage residential construction employment also experienced a considerable advance in the percentage share. Housing and Urban Development (HUD) statistics showed that 79% of Alaska's housing permits (a majority of which were condominiums) were based in Anchorage.

## CONSTRUCTION EMPLOYMENT BOOM

Construction employment in July represented more than 10% of total Anchorage nonagricultural employment, up from 8% last July. This shift indicates that construction employment is growing at a faster pace than employment in the economy as a whole. This is not always the case. For example, during the

**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**
**BY PLACE OF WORK**
**ANCHORAGE-MATSU**

| | P/ | R/ | CHANGES FROM: | | |
|---|---|---|---|---|---|
| | **7/82** | **6/82** | **7/81** | **6/82** | **7/81** |
| Nonag. Wage & Salary..... | 100150 | 97200 | 92050 | 2950 | 8100 |
| Mining ..... | 3750 | 3750 | 3300 | 0 | 450 |
| Construction ..... | 10350 | 9550 | 8150 | 800 | 2200 |
| Manufacturing ..... | 3050 | 2750 | 3000 | 300 | 50 |
| Trans. Comm. & Util. ..... | 10000 | 9700 | 9200 | 300 | 800 |
| Trade ..... | 21250 | 20450 | 18850 | 800 | 2400 |
| Finance-Ins. & R. Estate .. | 6600 | 6450 | 6050 | 150 | 550 |
| Services & Misc..... | 19700 | 19250 | 18550 | 450 | 1150 |
| Government ..... | 25450 | 25300 | 24950 | 150 | 500 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

*P/* Denotes preliminary estimates.

*R/* Denotes revised estimates.

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post-earthquake rebuild in 1964 and 1965, annual average construction employment climbed to more than 10% of total Anchorage employment, and then declined to 7.3% by 1968. Construction employment's share of total employment rose again in 1970 for pre-pipeline start-up, peaked in 1975 and 1976 during the height of pipeline construction at 10.0%, and then fell to 7.1% in 1980. In 1981, when the current "building boom" started, the share rose to 8.0% and could continue upwards to 10% this year.

## YEAR-TO-YEAR COMPARISONS

All major industries of the Anchorage economy recorded over-the-year increases which boosted total nonagricultural employment by 8.6%. However, employment in two sectors, food and kindred products and local government, did register levels below last year. Fish processing, the largest component of food and kindred products, rose over the month but because of lower catch levels, fish processing employment was 200 below last year. Local government employment showed over-the-year declines because the number of teachers hired last year on a one year contract was far more than the previous

## LABOR FORCE BY REGION AND CENSUS DIVISION

| | Labor Force | | | Unemployment | | | Rate | | | Employment | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | P 7/82 | R 6/82 | 7/81 | P 7/82 | R 6/82 | 7/81 | P 7/82 | R 6/82 | 7/81 | P 7/82 | R 6/82 | 7/81 |
| Alaska Statewide | 211862 | 210010 | 206180 | 18672 | 20909 | 17373 | 8.8 | 10.0 | 8.4 | 193190 | 189101 | 188807 |
| Anch.-MatSu Region | 108210 | 106915 | 100941 | 8124 | 8708 | 7525 | 7.5 | 8.1 | 7.5 | 100086 | 98207 | 93416 |
| Anchorage | 97492 | 96406 | 91104 | 6681 | 7300 | 6345 | 6.9 | 7.6 | 7.0 | 90811 | 89106 | 84759 |
| Matanuska-Susitna | 10718 | 10509 | 9837 | 1443 | 1408 | 1180 | 13.5 | 13.4 | 12.0 | 9275 | 9101 | 8657 |
| Gulf Coast Region | 24849 | 23552 | 25189 | 2457 | 3059 | 2099 | 9.9 | 13.0 | 8.3 | 22392 | 20493 | 23090 |
| Cordova | 1278 | 1178 | 1301 | 79 | 81 | 65 | 6.2 | 6.9 | 5.0 | 1199 | 1097 | 1236 |
| Kenai | 13032 | 12293 | 13053 | 1623 | 1851 | 1288 | 12.5 | 15.1 | 9.9 | 11409 | 10442 | 11765 |
| Kodiak | 5457 | 5316 | 5577 | 344 | 637 | 305 | 6.3 | 12.0 | 5.5 | 5113 | 4679 | 5272 |
| Seward | 1749 | 1626 | 1798 | 152 | 165 | 151 | 8.7 | 10.1 | 8.4 | 1597 | 1461 | 1647 |
| Valdez | 3333 | 3139 | 3460 | 259 | 325 | 290 | 7.8 | 10.4 | 8.4 | 3074 | 2814 | 3170 |
| Interior Region | 26938 | 27247 | 27043 | 3382 | 3947 | 3253 | 12.6 | 14.5 | 12.0 | 23556 | 23300 | 23790 |
| Fairbanks | 22041 | 22319 | 22028 | 2841 | 3328 | 2637 | 12.9 | 14.9 | 12.0 | 19200 | 18991 | 19391 |
| Southeast Fairbanks | 2152 | 2162 | 2185 | 226 | 257 | 240 | 10.5 | 11.9 | 11.0 | 1926 | 1905 | 1945 |
| Upper Yukon | 676 | 670 | 671 | 102 | 102 | 91 | 15.1 | 15.2 | 13.6 | 574 | 568 | 580 |
| Yukon-Koyukuk | 2069 | 2096 | 2159 | 213 | 260 | 285 | 10.3 | 12.4 | 13.2 | 1856 | 1836 | 1874 |
| Northern Region | 8767 | 9579 | 8751 | 735 | 846 | 853 | 8.4 | 8.8 | 9.7 | 8032 | 8733 | 7898 |
| Barrow-North Slope | 2352 | 2548 | 2330 | 185 | 192 | 200 | 7.9 | 7.5 | 8.6 | 2167 | 2356 | 2130 |
| Kobuk | 2739 | 3019 | 2775 | 246 | 309 | 324 | 9.0 | 10.2 | 11.7 | 2493 | 2710 | 2451 |
| Nome | 3676 | 4012 | 3646 | 304 | 345 | 329 | 8.3 | 8.6 | 9.0 | 3372 | 3667 | 3317 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Southeast Region | 31308 | 31437 | 31703 | 3052 | 3002 | 2756 | 9.7 | 9.5 | 8.7 | 28256 | 28435 | 28947 |
| Angoon | 450 | 452 | 445 | 76 | 76 | 62 | 16.9 | 16.8 | 13.9 | 374 | 376 | 383 |
| Haines | 1061 | 1101 | 1066 | 108 | 142 | 89 | 10.2 | 12.9 | 8.3 | 953 | 959 | 977 |
| Juneau | 11052 | 11154 | 11285 | 794 | 832 | 776 | 7.2 | 7.5 | 6.9 | 10258 | 10322 | 10509 |
| Ketchikan | 6925 | 6619 | 6758 | 981 | 637 | 669 | 14.2 | 9.6 | 9.9 | 5944 | 5982 | 6089 |
| Outer Ketchikan | 796 | 845 | 800 | 96 | 140 | 83 | 12.1 | 16.6 | 10.4 | 700 | 705 | 717 |
| Prince of Wales | 1460 | 1459 | 1573 | 153 | 143 | 234 | 10.5 | 9.8 | 14.9 | 1307 | 1316 | 1339 |
| Sitka | 4623 | 4711 | 4579 | 479 | 541 | 334 | 10.4 | 11.5 | 7.3 | 4144 | 4170 | 4245 |
| Skagway | 1486 | 1522 | 1542 | 104 | 131 | 126 | 7.0 | 8.6 | 8.2 | 1382 | 1391 | 1416 |
| Wrangell-Petersburg | 3455 | 3574 | 3655 | 261 | 360 | 383 | 7.6 | 10.1 | 10.5 | 3194 | 3214 | 3272 |
| Southwest Region | 11790 | 11280 | 12553 | 922 | 1347 | 887 | 7.8 | 11.9 | 7.1 | 10868 | 9933 | 11666 |
| Aleutian Islands | 3052 | 2875 | 3296 | 97 | 174 | 124 | 3.2 | 6.1 | 3.8 | 2955 | 2701 | 3172 |
| Bethel | 3878 | 3688 | 4108 | 421 | 528 | 397 | 10.9 | 14.3 | 9.7 | 3457 | 3160 | 3711 |
| Bristol Bay Borough | 406 | 398 | 432 | 16 | 42 | 13 | 3.9 | 10.6 | 3.0 | 390 | 356 | 419 |
| Bristol Bay | 1539 | 1453 | 1640 | 79 | 119 | 73 | 5.1 | 8.2 | 4.5 | 1460 | 1334 | 1567 |
| Kuskokwim | 1066 | 1044 | 1131 | 123 | 182 | 119 | 11.5 | 17.4 | 10.5 | 943 | 862 | 1012 |
| Wade Hampton | 1849 | 1822 | 1946 | 186 | 302 | 161 | 10.1 | 16.6 | 8.3 | 1663 | 1520 | 1785 |

*P*/=Preliminary 1981 Benchmark

*R*/=Revised (Due to technical revision these rates supercede those contained in the news release, June 18, 1982).

Federal guidelines require the use of unrounded labor data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor; because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature; meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's bush localities have proportionately more of these discouraged workers.

**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**
**BY PLACE OF WORK**
**ANCHORAGE**

| | | | CHANGES FROM: | | |
|---|---|---|---|---|---|
| | P/ | R/ | | | |
| | **7/82** | **6/82** | **7/81** | **6/82** | **7/81** |
| Nonag. Wage & Salary..... | 96200 | 93250 | 88550 | 2950 | 7650 |
| Mining ..... | 3650 | 3600 | 3250 | 50 | 400 |
| Construction ..... | 9850 | 9100 | 7750 | 750 | 2100 |
| Manufacturing ..... | 2950 | 2650 | 2950 | 300 | 0 |
| Food & Kindred Prod..... | 950 | 700 | 1150 | 250 | -200 |
| Other Mfg. ..... | 2000 | 1950 | 1800 | 50 | 200 |
| Trans. Comm. & Util. ..... | 9700 | 9400 | 8800 | 300 | 900 |
| Trucking & Wheeing. .... | 1250 | 1200 | 1200 | 50 | 50 |
| Water Transportation .... | 550 | 500 | 400 | 50 | 150 |
| Air Transportation ..... | 3700 | 3550 | 3400 | 150 | 300 |
| Other Transportation Comm. & Utilities ..... | 4200 | 4150 | 3800 | 50 | 400 |
| Trade ..... | 20450 | 19700 | 18050 | 750 | 2400 |
| Wholesale Trade ..... | 4800 | 4700 | 4350 | 100 | 450 |
| Retail Trade..... | 15650 | 15000 | 13700 | 650 | 1950 |
| Gen. Merchandise..... | 1900 | 1900 | 1850 | 0 | 50 |
| Food Stores..... | 2400 | 2250 | 2050 | 150 | 350 |
| Eating & Drinking Places ..... | 5400 | 5300 | 4650 | 100 | 750 |
| Other Retail Trade ..... | 5950 | 5550 | 5150 | 400 | 800 |
| Finance-Ins. & R. Estate .. | 6500 | 6350 | 6000 | 150 | 500 |
| Services & Misc..... | 19200 | 18750 | 18150 | 450 | 1050 |
| Government ..... | 23900 | 23700 | 23600 | 200 | 300 |
| Federal ..... | 10150 | 10050 | 10050 | 100 | 100 |
| State ..... | 5950 | 5900 | 5550 | 50 | 400 |
| Local..... | 7800 | 7750 | 8000 | 50 | -200 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

P/ Denotes preliminary estimates.

R/ Denotes revised estimates.

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year. These contracts expired this year. The school district plans to hire these teachers back plus others for the coming school season.

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# FAIRBANKS/INTERIOR

**By Neal Fried**

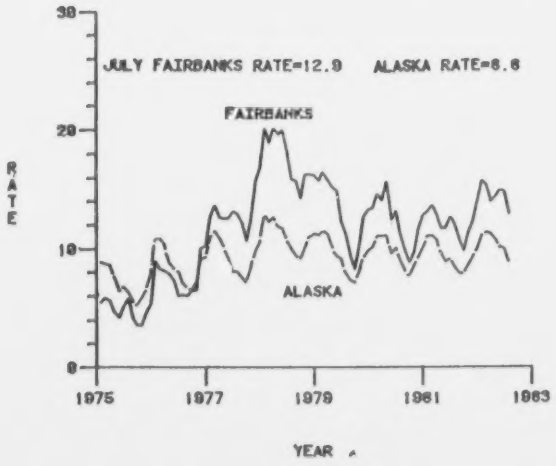
## LABOR FORCE

Fairbanks labor force statistics finally moved with some resolve in July. Though the unemployment rate remained above the 1981 figure, the rate dipped two points in July, to register at 12.9%. For the first time this year the number of unemployed actually fell. The rate for the Interior region fell to 12.6% in July to remain the highest regional rate in the state.

## NONAGRICULTURAL EMPLOYMENT

Fairbanks wage and salary employment in July increased above last month's level by 600 to reach a total of 23,300. This is the highest mark reached since 1977 when it was 25,800 although considerably less than the peak of 31,100 in July 1975. The monthly change was primarily seasonal, however, almost 40% of the increase was above normal hiring trends. This means the Fairbanks economy experienced real growth.

FAIRBANKS AND ALASKA UNEMPLOYMENT RATES



**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**
**BY PLACE OF WORK**
**FAIRBANKS**

| | | | CHANGES FROM: | | |
|---|---|---|---|---|---|
| | *P/* | *R/* | | | |
| | **7/82** | **6/82** | **7/81** | **6/82** | **7/81** |
| Nonag. Wage & Salary..... | 23300 | 22700 | 23050 | 600 | 250 |
| Mining ..... | 50 | 50 | 50 | 0 | 0 |
| Construction ..... | 2350 | 1850 | 2250 | 500 | 100 |
| Manufacturing ..... | 500 | 450 | 600 | 50 | -100 |
| Trans. Comm. & Util. ..... | 2850 | 2850 | 2850 | 0 | 0 |
| Trucking & Whseing. .... | 450 | 450 | 450 | 0 | 0 |
| Air Transportation ..... | 700 | 700 | 700 | 0 | 0 |
| Other Trans. Comm. & Utilities..... | 1700 | 1700 | 1700 | 0 | 0 |
| Trade ..... | 4350 | 4300 | 4200 | 50 | 150 |
| Wholesale Trade ..... | 700 | 700 | 700 | 0 | 0 |
| Retail Trade..... | 3650 | 3600 | 3500 | 50 | 150 |
| Gen. Merchandise & Apparel ..... | 450 | 450 | 450 | 0 | 0 |
| Food Stores..... | 600 | 600 | 550 | 0 | 50 |
| Other Retail Trade ..... | 2600 | 2550 | 2500 | 50 | 100 |
| Finance-Ins. & R. Estate .. | 800 | 800 | 750 | 0 | 50 |
| Services & Misc..... | 4450 | 4350 | 4200 | 100 | 250 |
| Government ..... | 7950 | 8050 | 8150 | -100 | -200 |
| Federal ..... | 2500 | 2500 | 2650 | 0 | -150 |
| State ..... | 3350 | 3350 | 3550 | 0 | -200 |
| Local..... | 2100 | 2200 | 1950 | -100 | 150 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

*P/* Denotes preliminary estimates.

*R/* Denotes revised estimates.

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The year-to-year statistics reveal a 250 gain in employment. This trend is expected to continue at a similar rate for the remainder of 1982.

## PER CAPITA PERSONAL INCOME

Another indicator which tracks Fairbanks economic trends is the per capita personal income figure published annually by the U.S. Department of Commerce. These income figures are produced for the U.S., each state and for communities through-

**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**
**BY PLACE OF WORK**
**INTERIOR**

| | P/ 7/82 | R/ 6/82 | 7/81 | CHANGES FROM: 6/82 | 7/81 |
|---|---|---|---|---|---|
| Nonag. Wage & Salary..... | 26800 | 26250 | 26600 | 550 | 200 |
| Mining ..... | 250 | 250 | 250 | 0 | 0 |
| Construction ..... | 2450 | 1950 | 2350 | 500 | 100 |
| Manufacturing ..... | 600 | 600 | 750 | 0 | -150 |
| Trans. Comm. & Util. ..... | 3750 | 3700 | 3750 | 50 | 0 |
| Trade ..... | 4650 | 4600 | 4550 | 50 | 100 |
| Finance-Ins. & R. Estate .. | 850 | 850 | 800 | 0 | 50 |
| Services & Misc. ..... | 4850 | 4700 | 4650 | 150 | 200 |
| Government ..... | 9400 | 9600 | 9500 | -200 | -100 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

P/ Denotes preliminary estimates.

R/ Denotes revised estimates.

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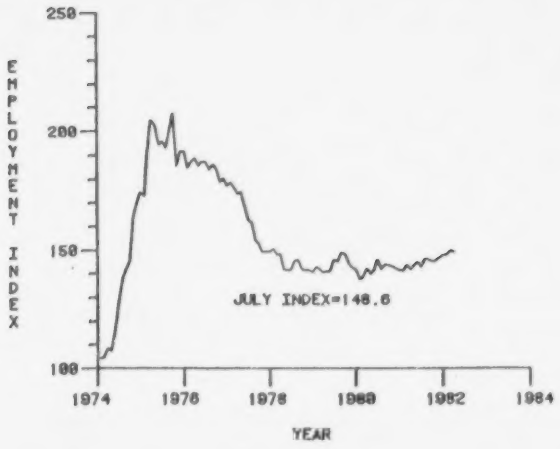
out the country. These figures are calculated by dividing estimates of residence-adjusted total personal income by resident population. While per capita personal income generally serves as an indicator of the quality of consumer markets and the economic well being of area residents, Alaska's unusually high proportion of nonresident workers combined with noncash sources of goods and services are not always accurately reflected by current methodology.

Fairbanks per capita personal income in 1980 (the most recent) was $13,308, compared to $9,511 for the U.S. and $12,759 for Alaska. These income figures are published for each of Alaska's 29 census divisions. Fairbanks ranked fifth. Generally the urban areas of the state rank higher than the rural areas because of more economic activity and therefore more income. The highest per capita area in the state was Juneau at $15,732. Wade-Hampton was at the bottom with $4,325. Other areas of the interior have done less well than Fairbanks with the Upper Yukon, Southeast Fairbanks and Yukon-Koyukuk coming in at $7,462, $10,129 and $12,429, respectively.

FAIRBANKS COMPOSITE NONAG EMPLOYMENT INDEX




Over the decade, increases in Fairbanks per capita personal income have kept far ahead of inflation. Fairbanks per capita personal income in 1970 was $4,928 and over the decade had a real growth in income of 30%. This compares to 25% growth in U.S. per capita personal income over the same period of time, but it is somewhat less than statewide growth of 32% (adjustment by the CPI). During the decade, Fairbanks per capita personal income grew steadily through 1974, jumped in 1975, flattened in 1976 and fell through 1978. The figures began to rise again in 1979, and given the fact that economic activity has been on the increase again, Fairbanks per capita personal income will also be likely to continue to increase, though at a far slower rate than during pipeline days. Though Fairbanks and Alaska figures are significantly above the U.S. average, much of the difference is lost when the figures are adjusted for the cost of living.

# GULF COAST

**By Neal Fried**

## LABOR FORCE

Gulf Coast labor force statistics for July reacted to the peak of the fishing season and unemployment fell from 13.0% in June to 9.9%. The unemployment lines became shorter as more people returned to largely seasonal employment. This allowed the rate to fall. Rates within the region fell even more dramatically, particularly in Kodiak, Seward, and Valdez, areas with fishing based economies.

## NONAGRICULTURAL EMPLOYMENT

Gulf Coast nonagricultural wage and salary employment grew rapidly in July as the region's economy moved towards its peak for the year. With one exception, all of the region's industries posted employment gains in July and all but two have registered gains for the year. Increased construction activity has been the major contributor to growth in the region's economy but a good tourist season also has boosted Gulf Coast employment. Manufacturing grew rapidly in July but remained below the year-ago level causing the region's 1982 total wage and salary employment to fall below last year's level. A slow logging season, but more importantly a slower fishing season, has caused this to happen to the year-ago level.

Salmon catches thus far have not reached 1981 levels in some areas of the Gulf Coast. Kodiak's catch came in above the year-ago level but the Cordova fishery catch was less than one-third of last year's catch. This is because fishermen in the Cordova area have not been fishing due to a fish price dispute with fish processors. The decline in this fishery has caused the overall catch in this region to fall 39% below last year's catch making employment fall significantly below year-ago levels. The Cook Inlet fishery has had a record sockeye catch this season.

## PER CAPITA PERSONAL INCOME

The U.S. Department of Commerce recently released the 1980 per capita personal statistics for the nation, all states and areas throughout the country. These include per capita income

**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**
**BY PLACE OF WORK**
**GULF COAST**

| | P/ | R/ | CHANGES FROM: | | |
|---|---|---|---|---|---|
| | **7/82** | **6/82** | **7/81** | **6/82** | **7/81** |
| Nonag. Wage & Salary..... | 19100 | 17350 | 19500 | 1750 | -400 |
| Mining ..... | 950 | 850 | 900 | 100 | 50 |
| Construction ..... | 1300 | 1250 | 1050 | 50 | 250 |
| Manufacturing ..... | 5500 | 3650 | 6400 | 1850 | -900 |
| Food & Kindred Prod..... | 4550 | 2750 | 5400 | 1800 | -850 |
| All Other Mfg. ..... | 950 | 900 | 1000 | 50 | -50 |
| Trans. Comm. & Util..... | 1800 | 1750 | 1700 | 50 | 100 |
| Trade ..... | 2700 | 2600 | 2600 | 100 | 100 |
| Wholesale Trade ..... | 450 | 450 | 450 | 0 | 0 |
| Retail Trade..... | 2250 | 2150 | 2150 | 100 | 100 |
| Finance-Ins. & R. Estate .. | 450 | 450 | 450 | 0 | 0 |
| Services & Misc..... | 2700 | 2700 | 2600 | 0 | 100 |
| Government ..... | 3700 | 4100 | 3800 | -400 | -100 |
| Federal ..... | 500 | 500 | 500 | 0 | 0 |
| State ..... | 1150 | 1350 | 1400 | -200 | -250 |
| Local..... | 2050 | 2250 | 1900 | -200 | 150 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

*P/* Denotes preliminary estimates.

*R/* Denotes revised estimates.

statistics for Alaska and 29 census divisions within the state. These income statistics provide another set of economic indicators which track trends. They are calculated on an annual basis by estimating the total personal income of all residents of an area, then are divided by the population.

Kodiak's per capita personal income was the highest in the region at $12,690 and Valdez was a close second at $12,542. Seward and Cordova-McCarthy followed at $11,967 and $11,281, respectively. Kenai-Cook Inlet was the lowest at $10,158. These figures compare with the national average of $9,511 and Alaska's average of $12,759. All divisions within the region came in above the national average, but if the cost-of-living difference were taken into account, some regions would likely fall below the U.S. average.

Over the decade all Gulf Coast income figures fared well against inflation making real gains. Valdez had the most impressive gain with a 57% real increase in per capita personal income. No division had real gains of less than 30% (adjusted by the Anchorage CPI).

Differences in per capita personal income figures can be the result of differing economic opportunities in areas. Population can also influence the per capita figure. For example, per capita income data in an area with a larger family size but with equal or even higher income, may show average worker income less than that of the another area. This illustrates how the figures may not necessarily reveal the health or lack of health of a particular economy. Per capita personal income statistics should be used with a great deal of caution before conclusions are drawn.

# SOUTHEAST ALASKA

**By Debbie Berggren**

## LABOR FORCE AND NONAGRICULTURAL EMPLOYMENT

Contrary to the rest of the state, Southeast nonagricultural wage and salary employment declined during July. This decline was less than one percent. Also, Southeast was the only region which had an increased unemployment rate. The unemployment rate increased 2 percentage points to 9.7%.

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**NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK SOUTHEAST ALASKA**

| | | | CHANGES FROM: | | |
|---|---|---|---|---|---|
| | P/ 7/82 | R/ 6/82 | 7/81 | 6/82 | 7/81 |
| Nonag. Wage & Salary | 28750 | 28800 | 28950 | -50 | -200 |
| Construction | 1700 | 1650 | 1650 | 50 | 50 |
| Manufacturing | 4150 | 3750 | 4850 | 400 | -700 |
| Food & Kindred Prod. | 1800 | 950 | 1950 | 850 | -150 |
| Lumber & Paper Prod. | 2100 | 2550 | 2650 | -450 | -550 |
| All Other Mfg. | 250 | 250 | 250 | 0 | 0 |
| Trans. Comm. & Util. | 2700 | 2750 | 2800 | -50 | -100 |
| Trade | 4300 | 4300 | 4050 | 0 | 250 |
| Wholesale Trade | 450 | 400 | 450 | 50 | 0 |
| Retail Trade | 3850 | 3900 | 3600 | -50 | 250 |
| Finance-Ins. & R. Estate | 1100 | 1100 | 1050 | 0 | 50 |
| Mining. | | | | | |
| Services & Misc. | 4200 | 4150 | 3950 | 50 | 250 |
| Government | 10600 | 11100 | 10600 | -500 | 0 |
| Federal | 2100 | 2150 | 2200 | -50 | -100 |
| State | 5150 | 5300 | 4900 | -150 | 250 |
| Local | 3350 | 3650 | 3500 | -300 | -150 |

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1980.

P/ Denotes preliminary estimates.

R/ Denotes revised estimates.

Primary cause for decreased annual employment was the manufacturing industry. Lumber and paper products employment decreased 18% during July. Temporary layoffs at Louisiana Pacific's pulp and spruce mills in Ketchikan contributed to the decrease. The pulp and spruce mills are to reopen in August. Fish processing employment increased almost 99% during July as processors geared up for the salmon season.

Government employment decreased by 500 jobs during July. State government employment decreased 3%, or 150 jobs, due to the end of the University school year. Local government decreased 8% or 300 jobs over the month. Local education employment dropped about 350 jobs due to the end of the school year. Local noneducation employment increased approximately 50 jobs to slightly offset the decline.

# MOLYBDENUM DEMAND AND QUARTZ HILL

**By Brit Harvey**

U.S. Borax's Quartz Hill molybdenum mining project is the largest non-oil mine planned in the state. It has drawn much interest, particularly from those wishing to diversify Ketchikan's currently struggling local economy. It is possible, however, that this project's contribution to Ketchikan area employment will be delayed substantially.

U.S. Borax and Chemical is a 100% owned subsidiary of Rio Tinto-Zinc, a large multinational mining corporation with headquarters in London1/ and extensive operations in Southern Africa. While Borax is a relatively small corporation with only $400 million in revenues (estimate) and $374 million in assets,2/ Rio Rinto-Zinc is the world's 119th largest non-U.S. corporation, with revenues of $6.1 billion and assets of $9.0 billion.3/ Considering that estimated front-end costs of the Quartz Hill mine will far exceed one billion in as-spent dollars, it is clear that Rio Tinto-Zinc's financial muscle is behind the Quartz Hill project.

The primary question concerning Quartz Hill is how quickly it will be developed. While a legal challenge by the Southeast Alaska Conservation Council is receiving media coverage, a more important factor is the world market demand for molybdenum. Molybdenum supply capacity currently exceeds demand. This is a result of depressed production by the steel industry, the dominant user of molybdenum. Molybdenum prices have dropped in response. Molybdenum now sells for about $7.00/pound, down from as high as $25.50/pound in 1979.

Molybdenum consumption has increased by 4-5% annually, and Borax is counting on a continuation of this long-term trend to provide demand for Quartz Hill molybdenum. This assumes that the current downturn in steel consumption is merely cyclical variation around the secular trend. It is possible, and perhaps probable, that the current downturn in steel con-

1, 2/ *Forbes;* July 5, 1982, page 120.
3/ *Forbes;* July 5, 1982, page 131.

sumption is a structural rather than cyclical decline. *BusinessWeek* cites sources forecasting a 1.0-1.5% growth in U.S. steel consumption through this decade.4/ Another major mining company, viewing the outlook for molybdenum demand, recently abandoned plans to develop a mine. Borax also announced in July that it was scaling down initial planned production at Quartz Hill by one-third.

Long-term outlooks are highly conjectural, but continued weak steel consumption and low molybdenum prices would almost certainly result in further downward revisions in planned capacity and delays in mine development at Quartz Hill. U.S. Borax could conceivably conduct bulk sampling to determine the quality of their find, and then delay development until market factors support the introduction of added molybdenum capacity. It is quite possible that Ketchikan will have a long wait before Quartz Hill's economic contribution is realized.

4/ *BusinessWeek;* August 9, 1982, page 45.

# HOURS AND EARNINGS IN JUNE

**By Su Hendrix**

The seasonal nature of the manufacturing industry makes it one of the most volatile and therefore interesting to track. Though employment in the food processing sector has been much lower than one year ago, the average weekly hours worked have been steadily increasing since March, with a 13% rise from May to June. This shows that employers have been hiring fewer workers in general, but have been working their employees long hours. This is a positive indicator in light of the many threats to the industry earlier this year.

Transportation, communication and utilities registered a 7% increase in average weekly hours. This change was primarily due to higher average hours in the air transportation sector, which includes air carriers and support services for those carriers.

The 5% increase in wholesale trade's average hourly earnings reflects wage increasses for several firms who are durable goods wholesalers.

## ALASKA
## HOURS AND EARNINGS
## FOR
## SELECTED INDUSTRIES 1/ 2/

| | Average Hourly Earnings | | | Average Weekly Hours | | | Average Weekly Earnings | | |
|---|---|---|---|---|---|---|---|---|---|
| | p/ 6/82 | r/ 5/82 | 6/81 | p/ 6/82 | r/ 5/82 | 6/81 | p/ 6/82 | r/ 5/82 | 6/81 |
| MINING | $20.74 | $21.13 | $18.66 | 54.6 | 53.1 | 51.0 | $1132.40 | $1122.00 | $951.66 |
| CONTRACT CONST.3/ | 22.77 | 22.46 | 19.34 | 44.5 | 43.1 | 47.6 | 1013.27 | 968.03 | 920.58 |
| MANUFACTURING | 11.90 | 13.11 | 11.70 | 40.5 | 39.4 | 37.3 | 481.95 | 516.53 | 436.41 |
| Food & Kindred Prod. | 8.50 | 8.99 | 8.55 | 40.6 | 36.0 | 33.8 | 345.10 | 323.64 | 288.99 |
| Lumber & Paper Prod. | 14.84 | 14.95 | 14.17 | 41.7 | 42.1 | 42.8 | 618.83 | 629.40 | 606.48 |
| TRANS., COMM. & UTIL. | 14.70 | 14.95 | 13.74 | 38.8 | 36.3 | 41.8 | 570.36 | 542.69 | 574.33 |
| TRADE | 9.65 | 9.64 | 9.56 | 35.1 | 34.7 | 34.1 | 338.71 | 334.51 | 326.00 |
| Wholesale Trade | 11.72 | 11.20 | 11.89 | 38.2 | 38.8 | 37.0 | 447.70 | 434.56 | 439.93 |
| Retail Trade | 8.75 | 8.93 | 8.63 | 33.9 | 33.1 | 33.0 | 296.63 | 295.58 | 284.79 |
| FINANCE, INS. & R.E. | -- | -- | -- | -- | -- | -- | 342.41 | 350.55 | 311.47 |

1/ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor

2/ Excludes eating and drinking establishments

3/ Due to technical revision in construction sample, 1982 estimates are not strictly comparable to previous years data.

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.